

Message Text

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E.O. 11652: GDS

TAGS:GR, EAID, MASS

SUBJECT: GREEK REQUEST FOR ECONOMIC AND MILITARY ASSISTANCE

1. IN SEPARATE CALLS SEPTEMBER 4 ON UNDER SECRETARY ROBIN-
SON AND ASSISTANT SECRETARY HARTMAN, FINANCE MINISTER DEV-
LETOGLOU AND BANK OF GREECE GOVERNOR ZOLOTAS MADE STRONG
PLEA FOR U.S. MILITARY AND ECONOMIC ASSISTANCE TO HELP
EASE GREECE'S BALANCE OF PAYMENTS PROBLEM. DEVLETOGLOU
PREDICTED THAT GREECE WILL FACE DOLS 600 MILLION BALANCE
OF PAYMENTS GAP IN 1975 WHICH WILL HAVE TO BE COVERED BY
DRAWING DOWN OF RESERVES AND EXTERNAL BORROWING. GAP IS
PRINCIPALLY RESULT OF INCREASE IN OIL PRICES AND COST OF
MILITARY PURCHASES. ZOLOTAS NOTED THAT GOG WILL SPEND IN
1975 DOLS 550 MILLION IN FOREIGN EXCHANGE FOR MILITARY
EQUIPMENT AND OVER DOLS 500 MILLION FOR DEBT PAYMENTS.
MAJOR PROBLEM IN BALANCE OF PAYMENTS WILL OCCUR IN 1976
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WHEN IT WILL BECOME INCREASINGLY DIFFICULT FOR GREECE TO

CONTINUE TO BORROW IN INTERNATIONAL MARKETS. GOG, ACCORDING TO DEVLETOGLOU, BELIEVES IT HAS STRONG CASE FOR U.S. ASSISTANCE NOT ONLY ON ECONOMIC GROUNDS, BUT ALSO ON POLITICAL GROUNDS, I.E. TO HELP CONSOLIDATE DEMOCRACY IN GREECE. HE STRESSED PARTICULARLY NEED FOR CONCESSIONAL TYPE LOAN, AND HE CLAIMED GREEKS HAD RECEIVED "HINTS" FROM "AMERICAN

AUTHORITIES" IN HELSINKI AND IN ATHENS THAT U.S. WOULD BE HELPFUL BOTH IN ECONOMIC AND MILITARY ASSISTANCE.

2. IN RESPONSE, BOTH ROBINSON AND HARTMAN NOTED THAT WE HAVE BEEN IMPRESSED BY THE STATESMANLIKE WAY CARAMANLIS HAS RESTORED DEMOCRACY AND ACTED TO TRY TO RESOLVE THE CYPRUS ISSUE AND IMPROVE GREEK-TURKISH RELATIONS. AS FAR AS AID TO GREECE IS CONCERNED, THEY STATED THAT THE USG IS SYMPATHETICALLY STUDYING THIS MATTER, AND HOPES TO BE ABLE TO COME TO A DECISION SHORTLY. THE EMBARGO ON ARMS TO TURKEY, HOWEVER, HAS CREATED A PROBLEM AS WE MUST CONSIDER OUR BROADER INTERESTS IN THE AREA, INCLUDING OUR MAINTAINING GOOD RELATIONS WITH BOTH TURKEY AND GREECE.

3. FYI. OUR FY 76 PROPOSALS FOR GREECE FOR DOLS 90 MILLION IN FMS CREDITS, DOLS 70 MILLION IN MAP, AND DOLS 30 MILLION IN DEVELOPMENT ASSISTANCE LOAN HAVE, ALONG WITH TURKISH PROGRAM, NOT YET BEEN SUBMITTED TO CONGRESS PENDING OUTCOME OF CONGRESSIONAL CONSIDERATION OF THE EMBARGO ON AID TO TURKEY. END FYI. ROBINSON

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